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Progress in the implementation of the organizational resilience management system

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on progress in the implementation of the organizational resilience management system (A/70/660). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarifications, concluding with written responses received on 15 February 2016.

2. In its resolution 68/247 B, the General Assembly, inter alia, requested the Secretary-General to submit to it, not later than at its seventieth session, a progress report on the implementation of the organizational resilience management system, including information on the steps taken to expand the system to include offices away from Headquarters, regional commissions, field missions of the Department of Peacekeeping Operations and the Department of Political Affairs and the participating specialized agencies, funds and programmes of the United Nations system. The Assembly also requested the Secretary-General to complete the implementation of the recommendations emanating from the after-action review of storm Sandy, to finalize the global information technology disaster recovery plan and assessment and to comprehensively address the weaknesses identified in the area of business continuity during the storm and to report thereon in the context of the next progress report. The report of the Secretary-General was submitted in response to the resolution. In section III of his report, the Secretary-General describes the progress in the implementation of the organizational resilience management system; in section IV, progress in the implementation of the recommendations from the after-action review of storm Sandy is detailed.

3. With respect to the finalization of the global information technology disaster recovery plan and assessment, the Advisory Committee was informed upon enquiry

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that the related details were included in the report of the Secretary-General on the status of implementation of the information and communications technology strategy for the United Nations (A/70/364 and Corr.1). The Committee's comments and recommendations on that matter were provided in a separate report (see A/70/7/Add.18, para. 25). In that regard, the Committee recalls its recommendation, endorsed by the General Assembly in its resolution 70/248, that a detailed update on the status of the migration of the 171 critical information technology systems to enterprise data centres, as well as on the requirements for providing disaster recovery capabilities for the remaining systems, be provided in the next report of the Secretary-General. The Committee has provided further observations and recommendations in that regard in its report on the report of the Board of Auditors on progress in the handling of information and communications technology affairs in the Secretariat (A/70/755).

II. Progress in the implementation of the organizational resilience management system

4. In his report, the Secretary-General sets out the principles of the organizational resilience management system (see A/70/660, para. 10) and describes the progress made in applying those principles in the United Nations system-wide emergency management framework. The report includes the status of implementation of the system, the scope of which encompasses United Nations Headquarters in New York, offices away from Headquarters, the regional commissions and peacekeeping operations and special political missions, as well as 16 funds and programmes and specialized agencies[1] (ibid., paras. 19-69).

5. According to the Secretary-General, the endorsement of an organizational resilience management system policy for the United Nations common system by the United Nations System Chief Executives Board for Coordination in October 2014 was a major step forward. An interdepartmental and inter-agency working group comprising representatives of Secretariat departments, offices away from Headquarters, regional commissions and agencies, funds and programmes has since been formed. The working group is chaired by the Assistant Secretary-General for Central Support Services, who has delegated that responsibility to the Chief of the Business Continuity Management Unit (ibid., paras. 13 and 14).

6. The Secretary-General also indicates in his report that the working group has developed an implementation strategy, which includes key performance indicators to measure the success of the implementation of the system in the following areas: policy; governance; maintenance, exercise and review; risk management; and planning (ibid., paras. 15 and 16).

[1] The World Food Programme, the Office of the United Nations High Commissioner for Refugees, the United Nations Development Programme, the United Nations Children's Fund, the Joint United Nations Programme on HIV/AIDS, the United Nations Population Fund, the United Nations Office for Project Services, the United Nations Entity for Gender Equality and the Empowerment of Women, the Food and Agriculture Organization of the United Nations, the International Atomic Energy Agency, the International Fund for Agricultural Development, the International Labour Organization, the United Nations Industrial Development Organization, the Universal Postal Union, the World Health Organization and the World Intellectual Property Organization.

7. Upon enquiry, the Advisory Committee was informed that the key performance indicators included detailed actions to measure progress made in the implementation of the system and that the indicators were being used by all participating United Nations organizations. A matrix setting out and describing the indicators, provided to the Committee, is contained in the annex to the present report. **The Advisory Committee welcomes the development of the key performance indicators as a tool for measuring the progress made in the implementation of the organizational resilience management system.**

Status of implementation

8. The Secretary-General indicates that at United Nations Headquarters, the first comprehensive approach to emergency preparedness began in 2010 with the promulgation of the organizational resilience policy. Subsequently, the coordination, harmonization and integration of key components have become the regular way of doing business in preparing the Secretariat for an emergency. For other entities and duty stations, the system represents a new approach. The Secretary-General indicates that they therefore need additional efforts to put the system in place (ibid., para. 79).

9. The Secretary-General provides an account of the progress made in the implementation of each of the five above-mentioned areas of the system at United Nations Headquarters, which includes the reinforcement of key governance structures, learning opportunities for staff, the conduct of a simulation "tabletop" exercise and an after-action review, and the completion of a comprehensive risk assessment, including risks in the areas of security, medical and information technology disaster recovery, as well as risks to business continuity. In respect of planning, the Secretary-General indicates that all plans related to the emergency management framework were developed and a streamlined version in the form of the system "playbook" was published in late 2015 (ibid., para. 20).

10. In respect of risk management, the Advisory Committee notes that, in his fifth progress report on the accountability system in the United Nations Secretariat, the Secretary-General provides further details concerning the implementation of an effective enterprise risk management framework (see A/70/668, paras. 22-41). **The Advisory Committee recognizes the efforts made by the Secretary-General in assessing and managing risks as an essential part of an emergency management framework to ensure preparedness, prevention, response and recovery in case of disruption in the regular functioning of the Organization. The Committee trusts that such efforts will continue to be coordinated and integrated with the overall risk management framework of the Organization.**

11. The progress made at offices away from Headquarters, regional commissions and peacekeeping operations and special political missions is described in paragraphs 22 to 32 of the Secretary-General's report (A/70/660). According to the Secretary-General, the organizational resilience management system policy, endorsed by the Chief Executives Board for Coordination, has been adopted by all offices away from Headquarters and a majority of the regional commissions. In respect of peacekeeping operations and special political missions, the Secretary-General indicates that the amount of progress made varies. Where required, support from Headquarters is made available to the missions.

12. In paragraphs 34 to 69 of his report, the Secretary-General also provides an account of the progress made in implementing the principles of the system policy as

reported by a total of 16 funds and programmes and specialized agencies. Those organizations and entities reported on their efforts in strengthening their emergency management frameworks and structures, which in most cases include business continuity plans, crisis management and security.

13. **The Advisory Committee welcomes the progress made in applying the principles of the organizational resilience management system across the United Nations system, taking into account the systemic approach taken in the coordination, harmonization and integration of different components that contribute to the system-wide emergency management framework.**

Next steps

14. In paragraph 74 of his report, the Secretary-General proposes the next steps in the implementation of the organizational resilience management system, which include enhanced coordination among the key players through, inter alia, the use of the inter-agency global working group as a community of practice. The Advisory Committee was informed upon enquiry that intensified efforts made in 2015 had helped to ensure a holistic approach to emergency management among the participating entities. In that respect, the Committee was also informed that a Geneva-based inter-agency working group had developed a template for crisis management that comprised adaptable crisis response checklists and procedures and that could be completed in a joint effort by a United Nations country team. **The Advisory Committee emphasizes the ongoing need for adequate coordination and planning and ensuring the involvement of the host country in respect of emergency management at the country level, and trusts that efforts will continue to be made in that regard. The Committee looks forward to receiving updates in that respect in the next progress report of the Secretary-General.**

Costs of the organizational resilience management system

15. The total cost of the time spent by staff on the organizational resilience management system is estimated at $390,000 for all participating entities (ibid., para. 78). Upon enquiry, the Advisory Committee was informed that the system was based on the synergies realized from the coordination by various specialists of their emergency management efforts. The Committee was also informed that, whereas the costs of individual specialists, such as security advisers, communications experts, facilities managers and business continuity personnel, were charged to their respective offices or units, the staff costs associated with coordinating the components of the organizational resilience management system were charged directly to the system. The estimated cost of the time spent by the staff participating in such coordination activities was based on the standard salary costs at their duty stations. A table showing a list of staff resources, in terms of number of days per annum, dedicated to coordinating the components of the organizational resilience management system is provided under paragraph 79 of the Secretary-General's report.

16. The Advisory Committee recalls that the General Assembly, in its resolution 68/247 B, requested the Secretary-General to continue to provide a detailed accounting of the cost of the organizational resilience management system initiative in the context of future progress reports. The Committee also recalls that, at the time of its consideration of previous reports of the Secretary-General on this subject, it

considered it important that the actual cost of the initiative be identified and documented. In addition, the Committee emphasized the importance of tracking the resources dedicated for that purpose in various departments and offices and of providing the Assembly with a consolidated view of the actual overall costs of the initiative, as well as the costs related to emergency management and emergency preparedness activities (see A/67/608, para. 23, and A/68/780, paras. 17-19 and 46). **The Advisory Committee considers that the full range of activities that support organizational resilience has not been identified in the Secretary-General's report and remains important for determining the underlying costs. The implementation of the enterprise resource planning system in United Nations entities should facilitate the identification of such costs. The Committee looks forward to receiving updated information in that regard in the next progress report of the Secretary-General.**

III. Progress in the implementation of the recommendations from the after-action review of storm Sandy

17. An update on the status of the recommendations emanating from the after-action review of storm Sandy and on the consideration by the Secretary-General of all means of risk mitigation is set out in paragraphs 70 to 73 of the Secretary-General's report. According to the Secretary-General, all 25 recommendations resulting from the after-action review — aimed at minimizing the vulnerability of United Nations Headquarters to extensive flooding and mitigating the impact of such flooding if it did occur — have now been completed. The report of the Secretary-General also indicates the availability of best possible solutions for the protection of the United Nations compound and its infrastructure, as well as strong means to ensure the continuity of critical business services.

18. On a related matter, regarding the availability of the United Nations website in the event of a disruption in normal business activities at Headquarters in New York, the Advisory Committee was informed upon enquiry that the resilience of the website and the ability to recover its main elements, including the home page, had been improved. To further strengthen the resilience of the website, the Office of Information and Communications Technology continues to explore cloud-based hosting options, taking into consideration functionality, cost and information security requirements, as well as operational resilience, taking into account the enterprise data centres in Valencia, Spain, and Brindisi, Italy. **The Advisory Committee trusts that in emergency situations the availability of the United Nations website will be ensured through sound technical support and effective management.**

19. The Secretary-General indicates in his report that the Secretariat was able to renew its global property insurance policy at the highest level of coverage at a more competitive premium, which became feasible as a result of the extensive renovations at Headquarters and a robust global marketing exercise. The Advisory Committee was informed upon enquiry that the current policy had worldwide coverage for property risks, including flood coverage at Headquarters, and that it was significantly better than the previous insurance coverage. The Committee recalls its recommendation that the insurance market be closely monitored with a view to securing adequate coverage at a reasonable cost for all United Nations installations (see A/68/780, para. 48). **The Advisory Committee welcomes the**

improved insurance coverage secured by the present global property insurance policy for the United Nations, and stresses the need for continued monitoring of the insurance market in that regard. The Committee expects that the Secretary-General will ensure that all United Nations assets and installations have adequate insurance coverage at all times.

IV. Action to be taken by the General Assembly

20. **The Advisory Committee recommends that the General Assembly take note of the report of the Secretary-General on progress in applying the principles of the organizational resilience management system in the United Nations system-wide emergency management framework, taking into account its comments and recommendations in the present report.**

Annex

Key performance indicators: organizational resilience management system

No.	*Component*	*Indicator*	*Measurement*
A.1	Policy	Availability of policy document(s) on organizational resilience management system	Yes/no
A.2		Active promulgation of the organizational resilience management system policy	Yes/no
A.3		Policy document(s) integrate the various planning instruments	Yes/no
A.4		Policy document is harmonized (with other United Nations standards)	Yes/no
B.1	Governance	Availability of designated programme manager for the organizational resilience management system	Yes/no
B.2		Coordination structure for crisis management established	Yes/no
B.3		Senior-level chair of the crisis management structure	Yes/no
B.4		Clarity of roles and responsibilities	Yes/no
B.5		Inclusion of all relevant United Nations entities in the crisis management coordination structure	Yes/no
B.5		Minimum of 2 meetings per year of the crisis management structure	Yes/no
C.1	Maintenance, exercise and review	Availability of training programmes for the organizational resilience management system	Yes/no
C.2		Availability to staff of organizational resilience management system awareness-raising materials	Yes/no
C.3		Frequency of training conducted	Number of times per year
C.4		Maintenance, exercise and review programme implemented	Yes/no
C.5		Percentage of members of the crisis management structures who have participated in an organizational resilience management system training programme	Percentage
D.1	Risk management	Availability of documented risk assessment, such as a security risk assessment	Yes/no
D.2		Risk assessment is updated annually	Yes/no
D.3		Risk assessment includes security risks, medical risks, information technology disaster recovery risks and business continuity risks	Yes/no
D.4		Risks are identified, assessed, treated and managed	Yes/no

No.	*Component*	*Indicator*	*Measurement*
E.1	Planning	Security plan	Yes/no/approved
E.2		Crisis management plan	Yes/no/approved
E.3		Business continuity plan	Yes/no/approved
E.4		Information technology disaster recovery plan	Yes/no/approved
E.5		Crisis communications plan	Yes/no/approved
E.6		Mass casualty incident response plan	Yes/no/approved
E.7		Staff support plan	Yes/no/approved
E.8		The above plans are harmonized	Yes/no
E.9		Frequency of plan reviews and updates	More than/fewer than 1 per year

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Managing after-service health insurance liabilities

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on managing after-service health insurance liabilities (A/70/590). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification concluding with written responses received on 17 February 2016.

2. The Advisory Committee recalls that the General Assembly, in its resolution 64/241, requested the Secretary-General to submit to the Assembly at its sixty-seventh session a report on managing after-service health insurance liabilities, bearing in mind that the "pay-as-you-go" principle remains one of the viable options, and to include in that report information on, and an analysis of, the following issues, inter alia: (a) scope and coverage of existing after-service health insurance plans; (b) administration costs related to alternative financial options; (c) arrangements for ensuring accurate funding from the different sources of funding; (d) options for contribution levels to after-service health insurance plans by its participants and by the United Nations; (e) comprehensive long-term strategies for financing after-service health insurance liabilities; (f) further measures to reduce the United Nations costs related to health-care plans; (g) after-service health insurance plans for retired public sector employees offered by their respective Governments; and (h) the financial and legal implications of changing, for current retirees and active staff members: (i) the scope and coverage of the after-service health insurance plans; and (ii) the contribution levels. The Assembly also requested the Secretary-General to continue to validate the accrued liabilities with the figures audited by the Board of Auditors and to include this information and the outcome of the validation in his report to the Assembly.

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3. The Advisory Committee also recalls that in its resolution 68/244, the General Assembly took note of the proposals contained in the report of the Secretary-General submitted pursuant to resolutions 64/241 and 65/259 (A/68/353) and requested the Secretary-General to examine the option of broadening the mandate of the United Nations Joint Staff Pension Fund, based on input from the United Nations Joint Staff Pension Board, to include the cost-effective, efficient and sustainable administration of after-service health insurance benefits, taking into account the advantages and disadvantages of this option, including its financial and legal implications, without prejudice to the outcome of the examination, and to report thereon at the seventieth session of the Assembly. The Assembly also underlined that the request did not prevent the Secretary-General from considering other options. In addition, the Assembly requested the Secretary-General to undertake a survey of current health-care plans for active and retired staff within the United Nations system, to explore all options to increase efficiency and contain costs and to report thereon at its seventieth session (see also para. 19 below).

4. In his report (A/70/590), the Secretary-General presents the results of a survey, prepared by the Working Group on after-service health insurance, which was established by the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination (CEB). In paragraph 2 of the report, the Secretary-General lists the tasks of the Working Group, and in paragraph 3 he outlines its composition. In the summary section of the report, he suggests that the Assembly may wish to consider mobilizing subsequent phases of the study undertaken by the Working Group in order to further assess plan funding and design and after-service health insurance liability valuation (see also para. 9 below). **The Advisory Committee welcomes, as a whole, the comprehensive review undertaken by the Working Group on after-service health insurance established by the Finance and Budget Network of the High-level Committee on Management of CEB.**

II. Proposals of the Working Group

5. In his report (A/70/590), the Secretary-General addresses the four pillars that formed the basis for the Group's analysis of health insurance plans across the United Nations system, namely: (a) cost analysis and administrative arrangements; (b) review of the United Nations system after-service health insurance framework; (c) determination and disclosure of the liability; and (d) funding alternatives for the liability. The Advisory Committee provides below its observations and recommendations, where relevant, in its discussion of the specific recommendations of the Working Group under each of the four pillars.

A. Cost analysis and administrative arrangements

6. In its recommendations 1 and 2, the Working Group advised that United Nations system organizations should negotiate collectively with third-party administrators in order to optimize pricing for administrative services and network access, and with health-care providers for self-administered plans in order to obtain the best access to, and best pricing for, quality health care. In recommendation 3, it recommended that organizations with externally insured plans should perform

periodic underwriting reviews in order to provide a robust basis for challenging the terms and conditions of insurers and share the results within the United Nations system for benchmarking purposes.

7. The Secretary-General indicates that almost all internationally and locally recruited staff (active and retired officials and their dependants) who are insured under United Nations system plans are covered under the 23 health insurance plans represented in the survey. Table 1 of the report presents the demographic composition of persons insured under the plans; table 2 shows that, in 2014, 401,166 persons were covered by United Nations system plans, at a cost of $731.7 million. Upon request, the Advisory Committee was provided with a revised table 2 (see annex I to the present report) showing the breakdown between Geneva-based plans and other plans for international Professional staff. The revised table also indicates the number of retired staff and their dependants covered under each of the three main categories of health insurance plans. According to the table, 194,818 persons (49 per cent of the total) are covered under Medical Insurance Plan and Medical Insurance Coverage Scheme for local staff in the field at a cost of $63.6 million (9 per cent of the total cost). With regard to international Professional staff outside the United States of America, the table shows that 71,963 persons (18 per cent of the total) are covered under the Geneva-based plans for international Professional staff, at a cost of $220.5 million (30 per cent of the total cost); 101,591 persons (25 per cent of the total) are covered under plans for international Professional staff, at a cost of $209.5 million (29 per cent of the total cost). The table also shows that 32,794 persons (8 per cent of the total) are covered under the United States-based plans, at a cost of $238 million (33 per cent of the total cost).

8. Table 3 of the report shows the number of persons covered under each of the 23 health insurance plans that are classified under three broad categories: self-insured and self-administered; self-insured and third-party administered; and third-party insured and third-party administered. Upon request, the Advisory Committee was provided with a revised table 3 showing the total annual cost of benefits under each of the 23 plans (see annex II to the present report). According to the revised table, the annual benefit cost per participant is significantly higher for the United States-based self-insured and third-party administered plans than it is for the other plans. In his report, the Secretary-General also indicates that, in 2014, an amount of $48 million was spent on administrative costs (including staff costs for self-administered plans and fees for plans administered by third parties) and that administrative costs represent 6.1 per cent of total expenditure across the United Nations system, which is in conformity with the industry average of 5 to 8 per cent in the United States.

9. In reviewing the opportunities related to the global consolidation of United Nations system plans into a common arrangement, the Working Group noted the existence of specific instances of consolidated health plans offered by organizations with similar risk profiles, in New York, Geneva and Rome. However, the Group concluded that there was no clear evidence that financial or operational efficiencies would be derived from a consolidation of all United Nations system plans, considering the various complexities such consolidation entailed. Upon enquiry, the Advisory Committee was informed that the feasibility of consolidating some of the 23 plans and the potential savings derived therefrom would require in-depth analysis that would be conducted in the second phase of the Working Group survey. Such an analysis would address the existing barriers to consolidation, such as eligibility

rules, the schedule of benefits and demographics, which are discussed in further detail in paragraphs 10 to 13 below.

10. With regard to eligibility rules, the Advisory Committee was informed that some plans allowed coverage of secondary dependants at unsubsidized premium rates while others did not allow such persons to be covered. Some organizations offered supplementary plans while others did not. Other plans provided subsidized coverage for spouses only if they were in receipt of the dependency allowance. Some plans also provided coverage to children over the age of 21 or 25 at unsubsidized rates, while others did not provide that option and limited coverage up to a fixed age.

11. With regard to the schedule of benefits, the Advisory Committee was informed that some plans had benefits that were driven by national or regional requirements. For example, long-term care is not covered under United States-based plans while it is required in some countries. Any consolidation that "harmonized downwards" (i.e., only covered benefits that were common to all plans) would result in a reduction of benefits for some retirees, while "harmonizing upwards" (i.e., covered benefits that were only offered by some plans) would have a financial impact in the form of higher premiums that would need to be assessed upon retirees and their former organizations.

12. Regarding demographics, the Advisory Committee was informed that in cases in which a plan with a high retiree-to-active staff ratio was consolidated into a plan with a more favourable retiree-to-active staff ratio, the risk profile changed. The premiums established for the new plan needed to be set so that the low retiree plan would experience an increase in premiums while the high retiree plan would experience a lower premium, unless complex compensation mechanisms were being put in place for a transitional period.

13. The Advisory Committee was also informed that the barriers outlined above could be a hindrance to the inter-agency portability of health insurance for staff members within the United Nations system in cases in which staff members transferring from one organization to another found themselves eligible only for a plan or plans that did not provide the same benefits as their previous health insurance coverage. According to the Secretary-General, such cases of non-portable health insurance plans could be a barrier to staff mobility.

14. **The Advisory Committee recognizes the diversity of health insurance plans across the United Nations system both in terms of the markets in which they operate and the staffing categories they serve. In addition, the Committee recognizes the variations in the administration model under which the various plans operate. These barriers notwithstanding, the Committee is of the view that opportunities do exist for consolidation for the purpose of achieving economies and efficiencies while maintaining access to quality health care. In that regard, the Committee recommends that the General Assembly endorse recommendations 1 to 3 of the Working Group and encourages the Group to continue exploring opportunities for the consolidation of health insurance plans at the various levels.**

B. United Nations system after-service health insurance framework review

National health insurance schemes

15. In recommendation 4, the Working Group recommended that organizations should evaluate the appropriateness, practicality and financial effects of incorporating into their health insurance plans the requirement to enrol in a national insurance scheme with contributions to the national plan being borne by the organization plan. The Group proposed that organizations be encouraged to further explore the value of national health insurance schemes in the context of United Nations system health insurance plans and in a framework whereby the plans would act as supplementary plans to level up the present terms and conditions provided to active and retired staff. The Secretary-General indicates in the report that the Working Group undertook research on national health plans in France, Italy, Switzerland, the United Kingdom of Great Britain and Northern Ireland and the United States, the five countries where, according to the Secretary-General, the most participants in after-service health insurance reside. He also indicates that the objective of the research was to consider whether the positive experience of the United Nations, of leveraging Medicare by requiring eligible persons covered by the insurance in the United States to enrol in Medicare part B, in addition to enrolling in a United Nations health insurance plan, could be reproduced in other locations.

16. Upon enquiry, the Advisory Committee was informed that there were over 5,800 retirees covered under the two United States-based plans of the United Nations and that over 3,100 of them were covered under Medicare (either Part B only or Parts A and B).[1] Upon further enquiry, the Committee was informed that the United Nations had no information on other retirees who might be covered also by their national health insurance systems since there was currently no reporting required of retirees based outside the United States. Upon request, the Committee was provided with statistics, based on available addresses, of the country of residence of the 37,568 retirees (excluding their dependants) participating in after-service health insurance. The Committee notes from the statistics that 40 per cent of these retirees reside in Europe, 18 per cent in the United States, 15 per cent in Africa, 15 per cent in the Asia/Pacific and Western Asia regions, 9 per cent in Central and Latin America and the Caribbean, and 2 per cent in Canada and Mexico. **The Advisory Committee stresses that the necessary procedures should be put in place to obtain accurate information on national health insurance plans in all the regions where United Nations system retirees reside. Taking into consideration the wide distribution of retirees in countries outside Europe and the United States, the Advisory Committee trusts that any policy proposal on national health insurance plans will give due consideration to the national plans of the countries in those regions.**

17. The Advisory Committee recalls that, on the basis of the 2011 actuarial valuation of after-service health insurance liabilities, the requirement for retirees residing in the United States to enrol under Medicare Plan B as at 1 January 2011 had resulted in an estimated reduction of the present value of the accrued liabilities

[1] Part A of Medicare is for hospitalization; Part B is for professional services only (for example, doctor visits, laboratory tests and X-rays). Part A is automatic for retirees who have contributed to the United States social security system for at least 10 years (40 credits).

for the United Nations Secretariat by some $258 million (A/68/353, para. 48 (a)). **The Advisory Committee is of the view that similar savings could be achieved from national health insurance plans in Europe and other regions of the world where sizeable populations of retired United Nations system staff reside.**

18. **While not being in a position to recommend the endorsement of recommendation 4 of the Working Group pending the receipt of more information on national health insurance plans, the Advisory Committee acknowledges the potential for savings, should the recommendation be implemented, and trusts that the necessary information will be obtained in the next phase of the Working Group survey.**

Broadening the mandate of the United Nations Joint Staff Pension Fund

19. As indicated in paragraph 3 above, the General Assembly, in its resolution 68/244, requested the Secretary-General to examine the option of broadening the mandate of the United Nations Joint Staff Pension Fund to include the administration of after-service health insurance benefits. In paragraphs 45 and 46 of his report, the Secretary-General indicates that, in its report to the Assembly (A/69/9), the United Nations Joint Staff Pension Board had endorsed the recommendations of its Assets and Liabilities Monitoring Committee on the matter and had agreed that it would not be advisable to broaden the mandate of the Pension Fund to include the administration of after-service health insurance benefits, noting that this option could jeopardize the operational viability of the Fund and could also negatively affect its long-term sustainability, depending upon the extent of the adopted measure.

20. According to the Working Group, there was no evidence that economies of scale or efficiency gains in administration could be achieved by broadening the mandate of the Joint Staff Pension Fund. In addition, the Working Group asserted that broadening the mandate would require additional staffing in the secretariat of the Fund and in the Investment Management Division, as well as the establishment of separate accounting, reporting and governance mechanisms. In this regard, the Working Group determined that the compatibility of data and software/administrative systems could not be leveraged, considering that the systems used by the Fund had been developed to support specific pension fund functions and that their adjustment for health insurance management purposes would be overly onerous. In view of the above analysis, the Working Group recommended that the role of the Pension Fund not be broadened, but indicated that the Fund could be requested to share its best practices approach and its methods for centralization and administration of a complex multiple-employer plan should the United Nations system organizations choose to jointly provide after-service health insurance coverage.

21. Upon enquiry as to the extent of overlap between the number of retired staff enrolled in after-service health insurance and those who are participants in the Pension Fund, the Advisory Committee was informed that it was difficult to provide precise numbers within the requested time period since the Fund's information was spread over 23 member organizations and more than 70 reporting entities. **The Advisory Committee expects that such information will be provided to the General Assembly in future reports on after-service health insurance.**

22. The Advisory Committee was also provided with a summary of key differences in participant statistics between the Pension Fund and after-service health insurance, namely: (a) the Pension Fund provides benefits to former staff members who separated prior to early or normal retirement when they reach the age of retirement, while after-service health insurance benefits are provided only to staff who separate at age 55 or later, or to staff on disability; (b) the Pension Fund includes all retirees, while after-service health insurance only provides benefits to retirees who are eligible and who elect coverage; (c) in addition to spouses and dependent children, the Pension Fund provides benefits to divorced spouses and secondary dependants when no spouse or eligible children exist, while after-service health insurance does not provide coverage for these two categories of beneficiaries; and (d) former staff members who retire before the normal age of retirement may defer receiving a periodic benefit from the Fund while being eligible and enrolled in after-service health insurance. In addition, according to the representatives of the Secretary-General, there is no known fund where pension and health care are administered jointly by the same staff. The Committee was also informed that, while health-care and pension plans may be co-located, the assets and administration are kept completely separate, which was true with self-administered funds, as well as within insurance companies and third-party administrators.

23. Upon further enquiry as to the respective investment policies, the Advisory Committee was informed that the investment strategy of the Pension Fund was long term, on the basis of the anticipation that the principal of the Fund was not required to cover benefit payments for at least 30 years; for after-service health insurance, incoming contributions were currently applied mainly to the settlement of claims and limited assets were therefore available for investment at the present time. The Committee was informed, however, that should organizations accumulate sufficient assets for the coverage of after-service health insurance liabilities, the expertise for the investment of such assets could be coordinated through the Investment Management Division of the Pension Fund and that some coordination could exist at the highest levels for such positions as joint Chief Executive Officer and a joint Chief Finance Officer.

24. **While not being in a position to recommend the endorsement of recommendation 5 of the Working Group at the present time, the Advisory Committee acknowledges the views expressed by the Pension Board and the Working Group. The Committee remains of the view that the funding and administration of after-service health insurance benefits is an issue of system-wide concern that would best be resolved through a system-wide approach. In this regard, the Committee recommends that the Working Group continue to examine options for a system-wide approach to managing after-service health insurance benefits, without excluding a potential role for the Pension Fund, including sharing its best practices approach and its operating methods (see also paragraph 30 below).**

C. Determination and disclosure of the liability

25. In paragraph 56 of his report, the Secretary-General indicates that the aggregate after-service health insurance liability of the United Nations system grew from $12.1 billion in 2012 to $16.1 billion in 2014. He indicates in paragraph 58, however, that there are significant variances between United Nations system

organizations in terms of after-service health insurance liability valuation assumptions. In that regard, the Working Group recommended the standardizing of the general valuation methodology for after-service health insurance liabilities and the establishment and application of key after-service health insurance liability valuation factors. In addition, the Secretary-General recommends that the Working Group coordinate its efforts with the Task Force on Accounting Standards to harmonize the general after-service health insurance liability principles to establish factors and actuarial assumptions no later than the end of 2017, for implementation in the 2018 actuarial valuation of the after-service health insurance liability.

26. **The Advisory Committee recommends the endorsement of recommendation 6 of the Working Group and expects that, to the extent possible, measures will be taken to standardize the general valuation methodology for after-service health insurance liabilities across all organizations of the United Nations system.**

D. Funding alternatives for the liability

Adequate funding of the after-service health insurance liability

27. The Working Group recommended that United Nations system organizations adequately fund their after-service health insurance liability and build reserves at a minimum to fund the additional cost accrued during the current period, represented by service cost plus the corresponding interest costs. For organizations that are still following a pay-as-you-go approach in relation to their after-service health insurance liabilities, that would mean a move to a pay-as-you-accrue approach, reflecting the true cost of current operations. This recommendation is based on the Working Group's view that the current pay-as-you-go approach towards funding health insurance costs taken by a number of United Nations system organizations, including the United Nations Secretariat, is unsustainable. This view is consistent with the concern expressed by the Board of Auditors regarding the absence of specific assets to cover the after-service health insurance liability (A/67/173, para. 17). Table 4 of the report of the Secretary-General indicates that, at the end of 2014 the assets accumulated by United Nations system organizations (just over $2.6 billion) covered only 16 per cent of future after-service health insurance obligations estimated at $16.1 billion, reflecting a funding gap of approximately $13.5 billion. The largest portion of the funding gap ($5.5 billion) is attributable to the United Nations Secretariat.

28. **The Advisory Committee notes that, while the General Assembly has requested the Secretary-General to submit proposals on managing after-service health insurance liabilities, the Assembly still considers that the existing pay-as-you-go approach is a viable option. The Committee also notes that the organizations of the United Nations system have complied with International Public Sector Accounting Standard 25, which stipulates the recognition in the financial statements of liabilities related to employee benefits but does not prescribe how those liabilities should be funded, leaving it to the discretion of the organizations to determine the optimal approach to ensuring that adequate resources are available to settle the recognized employee benefit liabilities as and when they fall due. Furthermore, the Committee is of the view that the rationale for setting aside budgetary resources meant for current activities to provide for expected future liabilities has not been sufficiently justified by the Secretary-**

General. In this regard, the Committee reiterates its recommendation to continue with the pay-as-you-go approach at the present time (A/68/550, para. 17), as endorsed by the General Assembly in its resolution 68/244.

29. Upon enquiry as to the composition of the $16.1 billion liability by source of funding, the Advisory Committee was informed that the breakdown of the system-wide liability by source of funding was not available from the survey results. The Committee was also informed that, for the United Nations Secretariat, the total after-service health insurance liability as at 31 December 2014 stood at $5.5 billion, of which $3.7 billion (or 68 per cent) was due from the regular budget; $1.2 billion (or 23 per cent) from the peacekeeping budget; and $0.5 billion (or 9 per cent) from extrabudgetary funding sources. **The Advisory Committee expects that, with the recent implementation of more advanced management information systems across all the organizations of the United Nations system, after-service health insurance liabilities will be closely monitored to ensure the accurate attribution of accrued liabilities to their respective sources of funding.**

Investment of reserves

30. The Working Group recommended that the organizations of the United Nations system explore opportunities through the Working Group on Common Treasury Services for cooperation in leveraging existing arrangements with external asset managers to maximize returns and minimize management fees with regard to the investment of funds earmarked for the coverage of after-service health insurance liabilities. According to the Working Group's survey, existing protocols in respect of the management of the investment of funds earmarked for the coverage of after-service health insurance liabilities were diverse, with some organizations managing such funds internally and others outsourcing the investment management function. It also indicated that few organizations ring-fenced assets and that, in some cases, the funds were comingled with the other funds and reserves. Taking this diversity into consideration, the Working Group considered that establishing an inter-agency facility for the investment of reserves accumulated for the purpose of covering after-service health insurance liabilities would require, inter alia, the establishment of separate and independent governance arrangements, clear investment guidelines and policies, separate reporting and accounting mechanisms, independent auditing and benchmarks. **The Advisory Committee, while not ruling out the possibility of establishing an inter-agency facility for the investment of accumulated reserves, sees merit in the Working Group's recommendation to leverage the existing arrangements with external asset managers in the investment of reserves earmarked to cover after-service health insurance liabilities for the organizations that have established such reserves. Since no decision to that effect has been taken by the General Assembly, the Committee is not in a position to recommend the endorsement of recommendation 8 of the Working Group at the present time.**

III. Conclusion

31. The proposals of the Secretary-General for action by the General Assembly are contained in paragraph 73 of his report.

32. **Subject to its comments and recommendations above, the Advisory Committee recommends that the General Assembly:**

(a) **Take note of the report of the Secretary-General;**

(b) **Request that the Secretary-General maintain the Working Group in order to study further options for increasing efficiency and containing costs, and put forward specific proposals regarding those matters to the General Assembly at its seventy-first session.**

Annex I

Revised table 2

Main groupings of insurance plan types

Persons covered and costs of benefits	*Total persons covered (active and retired)*	*Percentage of total*	*Retired persons and their dependants covered*	*Percentage of total*	*Retired persons and their dependants covered as percentage of total persons covered*	*Total annual cost of benefits (United States dollars)*	*Percentage of total*	*Per capita annual cost (United States dollars)*	*Administrative costs as percentage of total costs*
MIP and MICS for local staff in the field	194 818	49	14 020	20	7	63 661 068	9	327	12
Geneva-based plans	71 963	18	17 453	25	24	220 502 363	30	3 064	5
Other plans for international Professional staff	101 591	25	27 784	41	27	209 550 082	29	2 063	8
United States of America-based plans	32 794	8	9 421	14	29	238 019 062	32	7 258	5
Total	**401 166**	**100**	**68 678**	**100**	**17**	**731 732 575**	**100**	**1 824**	**6**

Abbreviations: MIP, Medical Insurance Plan; MICS, Medical Insurance Coverage Scheme.

Annex II

Revised table 3

Breakdown of health insurance plans by type of administration

	Self-insured				*Third-party insured*			
		Plan (administrator)	*Persons covered*	*Total annual cost of benefits (United States dollars)*	*Plan (insurer-administrator)*	*Persons covered*	*Total annual cost of benefits (United States dollars)*
Self-administered	1	Staff Health Insurance — WHO	36 726	82 509 669			
	2	United Nations Staff Mutual Insurance Society (United Nations Office at Geneva)	25 128	98 714 614			
	3	Medical Insurance Plan — UNHCR	23 346	5 496 786			
	4	Staff Insurance Fund — ILO	10 109	39 278 080			
		Total	**95 309**	**225 999 149**			
Third-party administered	1	Medical Insurance Plan — United Nations (Cigna)	69 079	28 027 984	1 Basic Medical Insurance Plan — FAO (Allianz/Allianz)	16 918	50 918 847
	2	Worldwide Plan — United Nations (Cigna)	55 647	82 887 965	2 Medical Insurance Coverage Scheme — WFP (Allianz/Allianz)	15 656	2 178 160
	3	Medical Insurance Plan — UNDP (Cigna)	53 523	16 893 357	3 Full Medical Insurance Plan — UNIDO (Allianz/Allianz)	5 566	not available
	4	Medical Insurance Plan — UNICEF (Cigna)	33 214	11 064 781	4 Austrian Health Insurance System + Supplementary Medical Insurance Plan — UNIDO (Allianz/Allianz)		
	5	Cigna United States dental PPO (Cigna)	31 993	19 801 365	5 Full Medical Insurance Plan — IAEA (Cigna/Cigna)	3 829	14 073 256
	6	Empire Blue Cross PPO (Empire Blue Cross)	23 839	143 174 053	6 Collective Medical Insurance — WIPO (Cigna/Cigna)	3 677	20 380 437
	7	Aetna PPO/POS (Aetna)	8 955	75 043 644	7 Austrian Health Insurance System + Supplementary Medical Insurance Plan — IAEA (Cigna/Cigna)	2 475	10 257 355
	8	Medical benefits Fund — UNESCO (Cigna)	7 136	22 432 785	8 Collective Medical Insurance Plan — ITU (Cigna/Cigna)	2 130	not available
	9	Medical benefits Fund — ICAO (Cigna)	2 996	5 361 171	9 IMO Plan — IMO (Cigna/Cigna)	922	1 938 979
					10 Contrast Group 910.K21 — UNWTO (Cigna/Cigna)	295	1 299 287
		Total	**254 389**	**404 687 105**	**Total**	**51 468**	**101 046 321**

Abbreviations: WHO, World Health Organization; UNHCR, Office of the United Nations High Commissioner for Refugees; ILO, International Labour Organization; UNDP, United Nations Development Programme; UNICEF, United Nations Children's Fund; UNESCO, United Nations Educational, Scientific and Cultural Organization; ICAO, International Civil Aviation Organization; FAO, Food and Agriculture Organization of the United Nations; WFP, World Food Programme; UNIDO, United Nations Industrial Development Organization; IAEA, International Atomic Energy Agency; WIPO, World Intellectual Property Organization; ITU, International Telecommunication Union; IMO, International Maritime Organization; UNWTO, World Tourism Organization.